

## 2024 DIVORCE TAX REFERENCE GUIDE

### 2024 Federal Tax Brackets & Rates, QBID Income Threshold/Phase-out, NIIT

*Unmarried*

Beg	End	Taxable	Marginal Rate	Tax	Cumulative Taxable	Cumulative Tax	Effective Rate	QBID <sup>1</sup>	3.8% NIIT <sup>2</sup>
\$ -	\$ 11,600	\$11,600	10%	\$ 1,160	\$ 11,600	\$ 1,160	10.0%	Full	No
11,600	47,150	35,550	12%	4,266	47,150	5,426	11.5%	Full	No
47,150	100,525	53,375	22%	11,743	100,525	17,169	17.1%	Full	No
100,525	191,950	91,425	24%	21,942	191,950	39,111	20.4%	Full	No
191,950	241,950	50,000	32%	16,000	241,950	55,111	22.8%	Phase-Out*	Yes; at 200K
241,950	243,725	1,775	35%	621	243,725	55,732	22.9%	Phase-Out*	Yes
243,725	609,350	365,625	35%	127,969	609,350	183,701	30.1%	Limited	Yes
609,350	1,000,000	390,650	37%	144,541	1,000,000	328,241	32.8%	Limited	Yes

\* 2024 QBID Taxable income threshold begins at \$191,950 and ends at \$241,950

### 2024 Federal Tax Brackets & Rates, QBID Income Threshold/Phase-out, NIIT

*Head of Household*

Beg	End	Taxable	Marginal Rate	Tax	Cumulative Taxable	Cumulative Tax	Effective Rate	QBID <sup>1</sup>	3.8% NIIT <sup>2</sup>
\$ -	\$ 16,550	\$16,550	10%	\$ 1,655	\$ 16,550	\$ 1,655	10.0%	Full	No
16,550	63,100	46,550	12%	5,586	63,100	7,241	11.5%	Full	No
63,100	100,500	37,400	22%	8,228	100,500	15,469	15.4%	Full	No
100,500	191,950	91,450	24%	21,948	191,950	37,417	19.5%	Full	No
191,950	241,950	50,000	32%	16,000	241,950	53,417	22.1%	Phase-Out*	Yes; at 200K
241,950	243,700	1,750	35%	613	243,700	54,030	22.2%	Phase-Out*	Yes
243,700	609,350	365,650	35%	127,978	609,350	182,007	29.9%	Limited	Yes
609,350	1,000,000	390,650	37%	144,541	1,000,000	326,548	32.7%	Limited	Yes

\* 2024 QBID Taxable income threshold begins at \$191,950 and ends at \$241,950

### 2024 Federal Tax Brackets & Rates, QBID Income Threshold/Phase-out, NIIT

*Married Filing Joint*

Beg	End	Taxable	Marginal Rate	Tax	Cumulative Taxable	Cumulative Tax	Effective Rate	QBID <sup>1</sup>	3.8% NIIT <sup>2</sup>
\$ -	\$ 23,200	\$23,200	10%	\$ 2,320	\$ 23,200	\$ 2,320	10.0%	Full	No
23,200	94,300	71,100	12%	8,532	94,300	10,852	11.5%	Full	No
94,300	201,050	106,750	22%	23,485	201,050	34,337	17.1%	Full	No
201,050	383,900	182,850	24%	43,884	383,900	78,221	20.4%	Full	Yes; at 250K
383,900	483,900	100,000	32%	32,000	483,900	110,221	22.8%	Phase-Out*	Yes
483,900	487,450	3,550	35%	1,243	487,450	111,464	22.9%	Phase-Out*	Yes
487,450	731,200	243,750	35%	85,313	731,200	196,776	26.9%	Limited	Yes
731,200	1,000,000	268,800	37%	99,456	1,000,000	296,232	29.6%	Limited	Yes

\* 2024 QBID Taxable income threshold begins at \$383,900 and ends at \$483,900

#### Notes

<sup>1</sup> QBID - Qualified Business Income Deduction qualification based on taxable income

<sup>2</sup> 3.8% Net Investment Income Tax (NIIT) applies when Modified AGI = Unmarried > \$200,000 | HOH > \$200,000 | MFJ > \$250,000

## Dependency Exemptions and Child Tax Credits

	Age	Residence	Support
Dependency Exemption <sup>1</sup>	<19, or 24 if full-time student <sup>2</sup>	Child resides with the taxpayer for > one-half of the year.	Qualifying child cannot provide more than one-half of their own support for the year
Child Tax Credit <sup>1</sup>	<17		
Dependent Care Credit <sup>3</sup>	<13		
Tuition Credits or Deductions <sup>1</sup>	<19, or 24 if full-time student		
Earned Income Credit <sup>4</sup>	<19, or 24 if full-time student	Child must have the same principal place of abode in the U.S. as the taxpayer for > one-half of the year	Support test does not apply for EIC

### Qualifying Child Relationship

- Son or Daughter
- Stepson or Stepdaughter
- Descendants of sons, daughters, stepsons, or stepdaughters
- Individuals whom are legally adopted or a foster child placed with the taxpayer by an authorized agency or by court decree, order or judgement

### Citizenship

- A citizen or resident of the U.S.
- A citizen or resident of a country contiguous to the U.S.

<sup>1</sup> The exemption carries with it the right to use the child credit as well as tuition credits/deductions.

<sup>2</sup> No age limit for totally and permanently disabled persons.

<sup>3</sup> The dependent care credit is only available to the parent who has custody of the child for the greater part of the year. Execution of Form 8332 has no effect on the ability to claim the credit for child care expenses.

<sup>4</sup> Only the custodial parent can claim the earned income credit. The non-custodial parent would not pass the residence test.

### Child/Non-Child Credits

Child Credit (Dependents Age <17)	\$2,000
Child Credit Refundable Amount	\$1,600
Non-Child Credit [Non-Refundable] (Dependents Age 17+)	\$500
Phase-Out Starting Point for Both Credits	\$200,000 (Single) \$200,000 (HOH) \$400,000 (MFJ)

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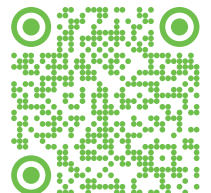
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## Dependency Exemptions and the Treatments of Child Related Attributes in Divorce

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### Dependency Exemptions

- Custodial parent is entitled to the dependency exemption - IRC §152, Mahrer vs Commissioner, T.C. Memo 2003-85.
  - Parents, together or separately, must provide at least one-half of the child's support.
  - Two exceptions to the general rule that the custodial parent is entitled to the dependency exemption:
    - (1) A multiple support agreement is in place - §152(d)(3).
    - (2) The custodial parent relinquishes the rights to the exemption (either annually or permanently) - §152(e)(2)(A).
  - Note: Divorced parents **are** allowed to trade exemptions back and forth using IRS form 8332.
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### Tiebreaker Rules

- If two or more taxpayers qualify to claim tax benefits related to a single qualifying child, a series of "tiebreaker" rules exist to determine who is eligible for the tax benefits:
    - (a) If one individual is a parent and the other is not, the parent is entitled to the benefit.
    - (b) If both taxpayers are parents, the parent with whom the qualifying child resided most during the year is the tiebreaker parent.
    - (c) If the child resided with the parents equal time throughout the year, the parent with the greater AGI is entitled to the benefits.
    - (d) If neither individual is a parent, the individual with the greater AGI is entitled to the benefits.
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### Head of Household Filing Status

- To qualify as Head of Household (HOH), a taxpayer must:
    - (1) Be married - you are considered unmarried if you were legally separated on December 31 or if your spouse did not live in your home for the last six-months of the year.
    - (2) Pay more than one-half the cost of maintaining a household which is the principal domicile for a qualifying child or an individual that otherwise qualifies for a dependency exemption.
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## Marital Residence

### Federal Deductions for Mortgage Interest and Real Estate Taxes

**In General:** The joint owner who makes the payment is entitled to the deduction. If payments are made out of a joint account, there is a rebuttable presumption that the payment is made 50% by each party. Example: If Husband (H) pays 70% of the payment and Wife (W) pays 30%, the deductible portion of the payment is allocated in the same proportion.

**In a Divorce Context:** If payments are not made pursuant to a divorce or separation instrument - general rules apply.

<b>If the home is jointly owned and payments are made directly to the mortgage by H, the non-occupant:</b>	<b>If the home is solely owned by W and H is still obligated on the mortgage:</b>	<b>If the home is solely owned by H (even though W may be living there with or without children of the marriage):</b>
1/2 of the qualifying interest and real estate taxes are deductible by H.	The treatment of the interest deduction is the same as if jointly owned, provided a minor child of the marriage resides in the home with W.	If H makes the payments:  H would deduct 100% of the mortgage interest and taxes.
1/2 of the qualifying interest and real estate taxes are deductible by W.	H cannot deduct any of the real estate taxes however, since he has no ownership interest.	If W makes the payments:  W cannot deduct any of the real estate taxes however, since she has no ownership interest.

### 2024 Federal Long-term Capital Gain and Qualified Dividend Rates

<b>Rate</b>	<b>Unmarried</b>	<b>Head of Household</b>	<b>Married Filing Joint</b>
0%	0 - 47,025	0 - 63,000	0 - 94,050
15%	47,025 - 518,900	63,000 - 551,350	94,050 - 583,750
20%	over 518,900	over 551,350	over 583,750

## Qualified Business Income Deduction (QBID)

2024 Taxable Income	Service	Non-Service
< \$383,900 (MFJ) < \$191,950 (Others)	20% x QBI	20% x QBI
\$383,900 - \$487,450 (MFJ) \$191,950 - \$243,700 (Others)	Phase Out	Reductions may apply
> \$487,450 (MFJ) > \$243,700 (Others)	No QBID	QBID is the <b>lesser</b> of: (a) 20% x QBI or (b) greater of (1) W-2 Wages x 50% (2) 25% Wages + 2.5% of unadjusted asset basis

**Note:** After determining eligible QBI deduction above, an overall limitation applies where the deduction is equal to the LESSER OF:

- (a) The combined "qualified business income" of the taxpayer, or
- (b) 20% of the taxpayer's excess of taxable income minus the sum of any net capital gain

## Determining Income for Support for Business/Real Estate Owners

*Common Tax Return Forms to Review and Taxes Applied*

Primary Schedules	Description/Notes	FED	Self-Emp	NIIT	SIT	Local
Schedule C	Sole Proprietorship	X	X		X	X
Schedule E, p.1	Rental Property	X		X	X	X
Schedule E, p.2 (Schedule K-1)	Ownership interest in a Partnership or S-Corp (request all K-1s)					
S-Corp	Income/Distribution always pro-rata	X			X	X
Partnership - Active	Income/Distribution can be specific allocation	X	X		X	X
Partnership - Passive	Income/Distribution can be specific allocation	X		X	X	X
Schedule F	Farming	X			X	X

### Key

**FED** - Federal Income Tax

**Self-Emp** - Self-employment Tax (FICA)

**NIIT** - Net Investment Income Tax (High Income Taxpayers)

**SIT** - State Income Tax

**Local** - City Income Tax

(Resident/Non-Resident)

### Other Helpful Tax Forms

**W-2** - Wages & Tax Statement

**Schedule D** - Capital Gains & Losses (Carryover)

**Form 4562, P.2** - Depreciation - Listed Property (Autos)

**Form 8582** - Passive Activity Loss Limitations (Carryover)

**Schedule B** - Interest & Dividends

**Form 4562** - Depreciation & Amort.

**Schedule SE** - Self-employment Tax

## Financial Statement Differences - Book v. Tax

Topic	Book	Tax
Accounting Basis of Financial Statements	If audited, accrual basis required	Cash basis allowed for firms with gross receipts up to \$25.0 million
Depreciation	Expensed over asset's <b>economic</b> life  Economic life typically much longer than tax life	Deducted over asset's <b>tax</b> life  Immediate deduction of 100% of asset's cost on personal property
Distributions to Owner(s)	Not reported on firm's income statement, only statement of cash flows	For pass-through entities (e.g., partnership), reported on K-1
Compensation	Fully Captured	Tax return reports only taxable compensation  W-2s reports gross compensation
Interest Expense	Fully Captured	Deduction of portion of interest expense can be disallowed
Entertainment	Fully Captured	100% deductible for employee entertainment for recreational or social activities; Client & referral entertainment is nondeductible
Meals for Employees	Fully Captured	100% deductible for restaurants; otherwise 50%
Parking Fringe Benefit	Fully Captured	Expense is not deductible

## TCJA Provisions Sunsetting at the End of 2025:

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A number of tax provisions from the 2017 Tax Cuts and Jobs Act (TCJA) will expire at the end of 2025. Key changes include:

- Individual income tax rates will revert to 2017 levels, adjusted for inflation.
- The standard deduction will be cut roughly in half.
- The personal exemption will return.
- The cap on the state and local income Tax (SALT) deduction will dissolve.
- Indebtedness amounts related to mortgage and home equity loan interest will increase.
- The cash charitable contribution limit will decrease from 60% to 50% of AGI.
- The child tax credit (CTC) will be reduced.
- The 20% qualified business income deduction (QBID) for many pass-through business owners will disappear.
- The estate tax exemption will revert to \$5 million, adjusted for inflation.